**TOPIC:** **FY 2011-12 GENERAL FUND ALLOCATION**

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## I. SUMMARY

At the July 8 CCHE meeting, staff presented FY 2011-12 General Fund allocation models that demonstrated the differences between using a total revenue allocation and a proportionate General Fund reduction. The discussion item described how relatively modest cuts in state support can be distributed through a proportionate General Fund reduction but when facing severe cuts to state support a total revenue model may be desirable to meet the CCHE principle of sustaining core operations, "the status quo," even at a low funding level. The FY 2011-12 General Fund allocation model attached is based upon that discussion and assumes a total revenue distribution up to a $450 million funding level. If current revenue estimates hold and allow additional funding above $450 million up to $555 million, the model assumes upward adjustments for institutions that have experienced significant enrollment increases since the economic downturn as well as for the University of Colorado Anschutz Medical Campus (AMC), and the Colorado State University Professional Veterinary Medical School (PVM). The attached allocation is presented for action by the Commission.

## II. BACKGROUND

In the recent past, reductions in state support have been taken from a better relative funding level and they could be more easily absorbed by reducing General Fund based on each Governing Board's share of overall state support (a proportionate GF cut). Prior FY 2011-12 allocation discussions have focused on the difficulty of using such an approach if Colorado Higher Education is potentially facing much larger reductions such as we anticipate for FY 2011-12.

Recall that discussions have also focused on the necessity to initiate system planning in light of the enactment of Senate Bill 10-003 and the uncertainty of available funds in FY 2011-12.

## III. STAFF ANALYSIS

As summarized above, the model being presented for action utilizes the total revenue approach for funding up to $450 million to meet the CCHE allocation principle of sustaining the status quo and core operations. Above that funding level and up to $555 million funds would be allocated through a 50/50 split for institutions that have experienced significant recent enrollment increases and adjustments for AMC and PVM.

The rationale for this approach comes from the CCHE allocation principles (1) only intended to be a temporary allocation model, (2) consider and utilize tuition flexibility, (3) preserve the status quo, (4) use a state-wide/system wide approach, (5) recognize enrollment increases, (6) recognize unique programs and (7) take into consideration priorities from the strategic planning process.

The advantages of the attached model are allowing planning to go forward by providing governing boards with a known funding level at or below a total funding level of $450 million. The model also allows the Commission and system to recognize other factors that meet the CCHE allocation principles at the current revenue estimates. Disadvantages include significant but unavoidable allocation disparities at the lower total revenue allocation levels and no upward adjustment at higher revenue levels for high cost programs other than AMC and PVM or governing boards that did not experience recent enrollment increases.

**Attachment #1 (spreadsheet) description:**

In the attached spreadsheet, column #1 reflects the state support level in FY 2005-06 of $555 million which is the minimum amount we could provide under the maintenance of effort requirements of the Recovery Act and is similar to current revenue estimates for FY 2011-12. Column #2 and #3 show the "backfill" funding provided through the Recovery Act for FY 2010-11. Column #4 and #5 show the reduction by Governing Board to $450 million utilizing a total revenue approach as described at the July 8th meeting.

The 50/50 adjustment for the Anschutz Medical Campus and the Professional Veterinary Medical School are shown in column #6 and #7 and column #8 shows the resulting state support totaling approximately $555 million.

Column #9 shows the percentage reduction from the FY 2010-11 (Column #3) level and Column #10 shows the percentage reduction from FY 2005-06 (Column # 1).

## IV. STAFF RECOMMENDATIONS

**Staff recommends approving the FY 2011-12 General Fund allocation model.**

## STATUTORY AUTHORITY

**C.R.S. 23-1-105(8)**